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Government
Publications

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Department of Agriculture

ADDRESSES ON Co-operative Marketing

BY
MR. AARON SAPIRO
San Francisco, California.

HON. MANNING W. DOHERTY
Minister of Agriculture for Ontario.

HON. E. C. DRURY
Prime Minister of Ontario.



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MR. AARON SAPIRO AND HIS MESSAGE

During the week of March 6, 1922, a series of addresses on co-operative marketing were delivered in the Province of Ontario by Mr. Aaron Sapiro of San Francisco, California, and the Minister of Agriculture for Ontario.

As is well known, co-operative marketing has been developed to the highest point of success on the Pacific Coast during the past few years. An organization on a commodity basis with three to five year contracts controlling a large percentage of the commodity has been the plan followed. In this way producers have effected the marketing of their own products to the extent of three hundred million dollars annually, and the result has been not only satisfactory to the producers but to the consumers and to the country in general. One



of the most outstanding men in bringing about the organization and successful operation of many companies is Mr. Aaron Sapiro. He has assisted in the organization of a great many of the companies, and has acted as legal and general adviser so that he has become recognized as one of the most reliable authorities on co-operative marketing under present day conditions. Added to this great store of first hand information and experience, he possesses a lucid and attractive style of delivery. His addresses on co-operative marketing in this province, therefore, constitute a very important addition to the current literature on the subject and are deserving of the careful study of thousands of people who could not hear his personal message as well as by those who were fortunate enough to hear him. Accordingly, two of the addresses which are typical of the information and suggestions offered, are herewith presented.

BENEFITS OF CO-OPERATION DEFINED

Merchandising Rather Than Dumping is Keynote of California Plan Which Would Also Apply in Ontario

In his address in Convocation Hall, Toronto, Mr. Sapiro said:

When the average city man hears about co-operative marketing his first thought is, "That is another of those farmer things," and he dismisses it from his mind, and doesn't waste any more thought on it. And just because of that attitude the average man is responsible for the slow development of co-operative marketing both in Canada and in the United States. It takes the thinking man, or the man who has had calamity, to realize that the United States and Canada are both primarily agricultural countries, and that they cannot be prosperous unless agriculture is prosperous.

A Great Awakening

Our American business men have suddenly awakened to the fact that in order for them to have prosperity they have to help the farmer to become prosperous. But the farmers of the United States are not asking the business men to do anything for them. They are asking the business men to step out of the way so that they can organize themselves, so that they can do something for themselves and bring themselves up to the same plan of business efficiency and business organization that the ordinary industry now has.

When your business men and the people in the cities begin to realize that the farm problem is their problem, you are going to find a change in the type of agriculture and a change in the handling of the problems of agriculture. If the people of the cities refuse to recognize that their interests are inseparable from the interests of agriculture it will hold your Province back and hold the whole of Canada back. Look at what happened in the United States? We were so very slow. Nearly every civilized country in the world has had co-operative marketing by the farmer for more than two generations. The United States and Canada happen to be the two backward ones. In countries like Denmark they have had co-operative marketing of farm products for more than fifty years. In the dairying industry more than ninety per cent. of their farmers are completely and co-operatively organized, and in poultry and livestock they are organized to the extent of over 85 per cent. In Germany, France, Australia, Italy, Switzerland, even in Russia and Roumania the growers have learned how to co-operate, not merely to co-operate in marketing but to co-operate in credits and other types of problems.

But for years the United States and Canada, nations that are characterized by strong individuality, stood back and let the Danish farmers take the cheese market of England away from the Ontario farmers, although the Ontario farmers boast that they produce the best cheese in the world.

What Happened in the Cotton Industry

Take what has happened in the cotton industry. We have in the United States an industry by which we produce two-thirds of all the cotton in the world, a staple non-perishable article giving us what would amount to a commercial monopoly of this high type product. We have been producing it decade after decade and in the same districts. You would imagine that these farmers must have made some money because the men who sell you cotton goods get a fairly good price, and you have known of cotton exchange millionaires and mill men who have left enormous fortunes for their children. Cotton has probably always meant wealth to you. I would like you to see the cotton farmers. There are several millions of them in the southern section of the United States, and they live in a stage of poverty such as you never dreamed of—a stage two generations behind what you have here in the city of Toronto. You can go to South Carolina and see homes where the whole family lives in one room where perhaps for the whole year no one has a pair of shoes or stockings; where they have to take the little children and put them out to work in the field and cannot give them any schooling. There are districts where the whole county cannot raise enough in taxes to put in a decent road or a school, or put up a decent church; where to family after family all their days are passed in gloom and hopelessness; where tenantry is increasing, where the standard of living is going down. And yet these very people are producing one of the greatest agricultural crops of the world which makes millionaires every single year in New York, in New England and in old England. You would think it a most amazing thing to realize that the average family income in South Carolina, in producing cotton, is less than \$300 a year, including the higher war years, for the last ten years. It is the most amazing thing I have ever known in my life to realize how this great and valuable crop, one of the greatest on the North American continent, can create so much wealth, can take so much out of the consumer and leave so little, either in money, in happiness or in decency of living for the man who primarily created that wealth.

Producers Have Been Stung into Action

Now, in the United States we have been stung into the necessity for studying that problem. We have seen the population moving from the country to the city, and the 1920 census showed for the first time that the urban population of the United States was greater than the rural population. Young men and women will not stay on the farms because it not only does not pay them anything, not to speak of wholesome recreations or anything that means ordinary comfort. They will go anywhere except stay on the farm. Tenantry is increasing all over the United States, and in this day when we boast about our freedom we have to recognize the fact that the drift in that country is toward a system of practically feudal farming. In addition to that the standards of living are going down in the farming districts instead of going up.

You must not think that because a large number of American farmers own Fords that they have automobiles in the sense that city people have. The Ford to the farmer is simply his street car, his public utility. The farmers are separated and in order to get around they must have some kind of a wagon or some kind of a Ford. Do not think that because Ford can sell cars to a great many farmers in the United States that the farmers are living on a high plane. Much more than one-half of the farmers in that country are living on a plane which is at least one generation below the plane of the average trained worker

in the small American cities. That is the situation in the United States, and I speak of the United States because I know more about it, and not because the United States exclusively has that problem or has that situation to face.

What Happened in California

Now, we had that situation in California, in fact we had it worse than in all the other States of our Union because we were so far away from markets. We were away on the Pacific coast, and everything we produced had to be carried thousands of miles to those who were to eat it. We had the problem to a worse extent than anywhere else. The farmers had begun to think that the only thing they could do was to live on the climate and on the tourists attracted by the climate, but they realized that it was hopeless to try and live on a California farm. But some of their leaders—the farm leaders not the state leaders—began to study and ask, “Isn’t there some way out, something that farmers have done somewhere or learned that we can use for our California farms and save ourselves from absolute ruin?” It so happened that some men did know about Denmark and a section of Piedmont in Italy, and about France and Germany, and so they began to experiment as to what they could do toward farmer’s co-operative marketing. Some of the men also knew what the English people had done in a co-operative way. They soon learned that you can not have the same kind of co-operation in a producing country that you have in a country that is chiefly a consuming one. Some started the consumers’ stores, that they might make tiny savings in purchases; but we have learned that consumers’ stores are just scratching the problem. The chief thing is to give the farmer a purchasing power so that he stands in the same position as others and can buy in the markets of the world at a fair price. So we started out under the Rochdale system of consumers’ stores and failed. We had hit on nothing fundamental. Some of the farmers who had heard about Denmark’s experience began to think whether that system could be adapted to Californian conditions, and gradually they worked out certain plans under which they could adapt the Danish system of selling dairy products to the California system of selling fruit. California became a huge laboratory for working at this marketing problem. We had at least ten failures for every success, and we had to experiment a great deal to figure a way to incorporate; there was the question of tying the growers to long term contracts, and so on. All our California work was pure experiment for many years. Take the orange growers. They started a movement in 1894 by forming a few local associations in which the growers of oranges in that vicinity would get together, erect a joint packing house and grade their oranges. They would then elect a manager who was supposed to be the greatest man in that locality, and would then start to sell oranges.

It Took Twelve Years to Correct a Blunder

It took us twelve years to discover the fatal blunder of that system, because these local associations sprang up like mushrooms all over the state, and we had all these local managers trying to market their products co-operatively. They would hear that the orange market in Kansas City was low in supply and that in Chicago was pretty full, and the local manager in Los Angeles and Santa Anna, etc., would scratch his head and say: “I am going to be a smart manager; I am going to ship my oranges to Kansas City, and I won’t say a word to the other managers so they won’t know what I’m doing.” Of course every other manager would get the same information, and every wise local manager would reach the

same conclusion, and within the next twenty-four hours they would all be shipping into Kansas City. They would all get their oranges to Kansas City within forty-eight hour of each other and the Kansas City market would collapse utterly. They would not be able to get the cost of freight out of their shipments, and the oranges would rot on the cars while the Chicago market would be absolutely bare. Do you know our farmers were so slow that they had to be bumped like that for twelve years before they suddenly realized that they had the wrong type of co-operative marketing. The local association is good for the consumer association, but when you start out to market your product you have to organize by the commodity and not merely by locality.

Organize on the Basis of Commodity

We learned that first great principle that when you have to sell something you must organize on the basis of the commodity. Our growers woke up and began to federate all these locals together, and to-day the **California Fruit Growers Association** has more than twenty local federations in the twenty districts, and more than 73 per cent. of the oranges leaving California are routed out through one office in Los Angeles. In a moment they will tell you how many carloads of oranges there are in any city in the United States and Canada. They know a city's capacity, and if a city's capacity is twenty cars in one week and there are five cars there and Florida has ten cars moving into that city, and they have shipped ten carloads to that city, they will only let five carloads reach there and will divert the other five to some other city so that no city gets either a glut or a famine. They keep moving into every one of these cities just what these cities can absorb at a price that is fair under current market conditions.

But what they have done with oranges is only one thing. They decided that the system would work with other products, and so you have organized in California strawberry exchanges, oranges, lemons, grape fruit, pears, apples, peaches, cherries, dried fruits, prunes, small beans, lima beans, walnuts, alfalfa, honey, milk, cheese, butter, olives and perhaps a few other things I am overlooking. Except in live stock we have practically started organization work in every commodity produced in California except those controlled by the Japs.

California Farmers Handle \$300,000,000 Worth of Products Annually

California farmers are to-day handling more than \$300,000,000 of products every year through this form of marketing associations without a single dollar of stock in outsiders' hands, without a single dollar of outsiders' products and without a single non-farmer in any of these associations. They have learned how to handle agriculture, and the 80,000 farmers in California, who have learned how to co-operate, have become practically the most prosperous group of farmers in the United States. Here is a rather interesting test of how prosperous they are. Each year the United States Department of Agriculture published a list of fifty counties in the whole of the United States that have had the highest net value of agricultural products, and the States consider themselves lucky if they have two names in the whole list. California has thirteen counties out of the first fifty in the entire United States, and we have first and second place, and four other places in the first twelve. In short, with products that we admit are not always the very best, and with everything we raise from two to three thousand miles away from the consuming markets, the California farmer has a larger proportion of net return from his products than in any other three States of the

United States combined. The California farmers are the one group of agriculturists in the United States who managed to weather the storm of 1920-1921, as more than eighty per cent. of our growers actually made net profits from their year's work, while more than eighty per cent. of the balance of the farmers of the United States actually lost money on their crops. There was no miracle in this. The California farmers learned the method by which this can be done, and those who have been studying the process are trying to find out what are the fundamental reasons; and we now believe we can understand why it is the California farmer has created prosperity while the other farmers in other sections remained poor and helpless.

The reason is, first, that we recognize the special character of agriculture. Agriculture is characterized by individual production and all other industries the characterized by group production. Everything you need is characterized by group production under the factory system except agriculture, and because the farmer was an individualist in production he thought he had to be an individualist in distributing and marketing. So he tried to market as an individual. But marketing is not an individual problem, it is a group problem; because no man can market intelligently without knowing first what other men have produced, without knowing the absorbing power of the market, without knowing credit conditions, without knowing how a crop should be held and orderly distributed, without understanding and making available for himself existing transportation facilities. No individual farmer can ever do that. It can only be done by the group, and the farmer who does not realize that marketing is a group problem will be a failure as a marketer all his life.

That was one of the first things we learned in California—that all other types of industry are characterized by group production, and therefore they normally had group marketing; but that farming which is characterized by individual production has to have co-operation to induce it to do group marketing.

"Dumping" Stopped and Merchandizing Substituted

Then we discovered one outstanding principle: That the great contribution of co-operative marketing was that it stopped the dumping of agricultural products and substituted merchandizing of agricultural products. What do we mean by dumping? Let us take the cotton farmers again. And when I speak of farming I hope you will be thinking of cheese and butter and some of the things you know about a good deal more intimately than I do. The farmer raises cotton and picks it over a period of two or three months. He may pick a bale now and another in two months and another in three months. Each farmer, as soon as he picks his cotton and has a bale, brings it to the street buyer to sell. He knows nothing about the grade of the cotton, nothing about its quality or tensile strength or any of the factors that enter into its value. He comes there and throws his cotton on the market against every other farmer bringing in cotton that day. The street buyer may only want to buy two or three bales of cotton, and fifty farmers will be flocking around urging him to take their cotton. He quotes the lowest price he can because each farmer has dumped his cotton on the market and broken the price, against each other. The American farmers usually throw on the market within a period of ninety days more than seventy per cent. of the entire cotton crop, although they know that it is used by the spindlers in an average even ratio of one twelfth each month. They throw on the market about 75 per cent. of their crop during a period when they know the spindlers are ready to absorb only about thirty per cent. of that crop.

What Breaks the Price of Cotton

It is not the speculator who breaks the price of cotton. It is the grower. Each man dumps his cotton against the other man's cotton, and the speculator simply takes advantage of the situation. He merely sits there and takes what the grower gives him, and that is just what you or I would do if in his place. We would let the grower break the price and buy in at the cheapest possible cost. The grower is to blame, and yet he cannot do anything differently when he stands alone. He is in just the same position as your cheesemaker—your little local cheese factories that you have throughout the Province, making their cheese and throwing it on the market and then wondering why the price breaks seven cents a pound—from twenty-one cents to fourteen cents—as it did from April to June last. They had a good flow of milk and production of cheese and overloaded their own market, dumping their cheese and breaking the price against themselves. The speculator is not the man to blame for that. The growers unintentionally are their own worst enemy. That is what we call dumping crops, and that is what these local managers did when they all threw their oranges into Kansas, oranges from all these producing points breaking the price against each other. That is dumping crops. That is throwing crops against each other.

If there are fifty men trying to sell something to one buyer the buyer always names the price, but if there are four buyers trying to buy something from one seller, you can easily see who will name the price. So we have stopped dumping agricultural products in the State of California and have substituted the merchandizing of agricultural products. That means centralized control of these crops so that they move to such markets of the world, and at such times, as the markets can absorb the crops at a fair price.

What Merchandizing Means

I am going to explain the merchandizing of agricultural products in detail, so that you will see how thoroughly different it is from the dumping of agricultural products. The merchandizing of crops means that you have to get people to take the whole crop, to eat all of it. If we were talking about the merchandizing of Ontario apples, of which, I have heard it said that sometimes one-third of the crop rots on the trees—and that doesn't help either the grower or the consumer—we would say that the whole of that crop had to be moved to the market. The first point to consider is, can that crop be moved to market if the quality is not right? The first point in merchandizing is to create crop inspection that will improve the quality of the crop. You have to start away back to make sure you have the proper quality. Even in things like chickens we have associations in California.

A Lesson in Handling the Egg Trade

There is the Poultry Producers' Association of Central California, which handles twenty million dozen of eggs on a purely co-operative basis, and we grade every one of these eggs. In fact we decided we would start before the egg was laid. We had to discourage the men who were egg sellers from hatching their own eggs, and now we have a great majority of the men in that association buying day old chicks. The hatching is done by experts in that line. The farmers buy these day old chicks and we can guarantee all our eggs as infertile eggs and fit for storage purposes. They get men to put in a high type of flocks. There is a man who is a specialist in judging flocks by appearance, and if you are wise you run your flock before him and he will tell you which chicks you should cull, which will be

good layers, and which are not. If you have him inspect your flocks you will have an average of twelve dozen eggs from each hen instead of ten. We standardize. We have almost wholly White Leghorns, which are the best layers we have in California, so that our eggs are of the same general type of pure white eggs. We standardize, and constantly keep raising the quality of our products. That is why we send our eggs to New York. They have to travel eighteen days to get there, and yet we get a premium for those eggs over eggs raised in Long Island of almost three cents a dozen, because they are the best graded eggs by carload lots in New York city. They know that every egg is the kind of egg named, Pentaluma Extra, infertile, and we stand behind that guarantee. The first step in merchandizing is to make your grading quality perfect. That is why I have been so proud of the courage and foresight of Manning Doherty in insisting that the Government see that the dairy products be standardized as high as can be and that the greatest care shall be taken in merchandizing agricultural products.

The Package is a Most Important Factor

The next thing is packaging—to get a package that looks good, that will help to sell the product, that will stand travel and suit the commodity and the housewife. Some of our crops are put in packages in which we sell by the dozen instead of the twenty-five pound boxes we have been pushing the two pound package, instead of the twenty-five pound boxes we have been pushing the two pound package which is a size the housewife likes, and keeps the prunes absolutely clean and right. We spend a great deal of time in preparing the right sort of packages. We experiment to see how one and two pound packages will look in the store, to see how they will keep, and if they will keep as long as the twenty or forty or sixty pound package.

The third thing is that we try to extend our markets. We extend markets in two ways, first by extending the time of marketing, and secondly by extending the place of marketing. Let us take eggs, for instance. In the latter part of February, March, April, and the first half of May the eggs would be dumped on the San Francisco market and break them down to ten or eleven or twelve cents a dozen, and some of the wise men would buy them and put them in cold storage and market them later in October or December at an advance of about thirty cents a dozen; and the cost of holding them, including insurance, storage and everything else, would be less than four cents a dozen. Of course that simply meant that we were dumping our eggs as soon as they were produced, although we knew there would be a famine period every fall. Now our producers' association stores its eggs, stores between two and four million dozen, and then we re-sell in the fall so that we have an extended period of marketing spring eggs from three to nine months. We have extended our markets by extending the time of marketing. We not only keep them off the San Francisco market in the first place so that we don't break the price of eggs, but we put them into cold storage and distribute to the growers at a good storage profit in the fall and winter. That is what I mean by "extending our markets by extending the time of marketing."

How the Market Place is Extended

Then we extend our markets by extending the place of marketing. We send men all over the world to find out where we can sell our products. We had a man go to Japan to figure on how to sell prunes and raisins there. We send a man anywhere in the world. The Prune Growers' Association maintains an agent right here in Toronto who has an office for Canada, and every month we know the ab-

sorbing power of Canada for prunes. If a district isn't eating enough prunes we go in and find out why. For example, Toronto is not eating enough, for yesterday there was an advertisement for Sunsweet prunes. That is because you are not eating enough prunes and we want you to eat more.

We study the situation all over the world. Just take the little group of farmers up in Oregon, in Tillamuth county. They produce cheese which they claim is better than the cheese you produce in Ontario. We produce cheese in California. We used to blow about that because we thought our herds were the best in the world, and we thought our cheese must be the best in the world. But these Tillamuth men, better organized in cheese than we are in California, are selling Tillamuth cheese right under our noses in San Francisco and California and getting two cents a pound more for their cheese than we get for California cheese in our own state. They have specialized in the marketing of cheese, and are beating us in our own markets for a certain grade of cheese. They are so proud of their cheese that they have the name "Tillamuth" on every inch of rind around the cheese and they sustain the quality of that cheese so that it has a market right in the State of California.

Selling Cheese in California

You would think that the last place a co-operative group would want to sell cheese would be in California, but they get away with it. They are doing exactly what I said about extending markets by finding places to market. They will come to Ontario and sell cheese, because they know that no one can beat them in quality, just as you here in Ontario, who boast of the quality of your cheese, sell it in London and let the Danes take the cream of the market away from you because you don't absolutely grade and keep up the quality of your cheese. You should put the maple leaf brand on every inch of your cheese so that the man who eats it would know it is Canadian cheese. You would then start to take a pride in it, and will keep up the quality of everything you produce when you put your brand on it and send it into the markets of the world.

You have to go all over the world and find these markets. If you find the Danes and the Irish can beat you in the markets of England you have to get some other country to eat as much cheese as they do. Show the French that if they ate more cheese they would be better off, and show the Germans that if they had more of the right kind of cheese, instead of Limburger, they might not have been so warlike. You have to do what the good merchant does. You have to study the whole world and see if you can find markets or create markets to absorb your products. That is the third great step in merchandizing.

There Must be Centralized Control

The fourth great step is to bring your products under centralized control. In this Province you raise \$100,000,000 of dairy products, you produce fifteen to twenty million pounds of cheese and quite an amount of butter. Your cheese is produced in a lot of little factories each one of which sticks up its nose to the next one, and there you have your cheese offered on the market by all kinds of small units each competing against the other. Of course you cannot control the flow of cheese in that regard, because each locality has its own manager. I understand that thirty of them have the one salesman, but generally it is a case of one against the other. There is nobody to control the flow of that product to the market, no one to determine what market it should go to, and no one even thinking that there is an ultimate market. They think that the only market is the local cheese board,

or the cheese exporter in Montreal, when the markets are really in England and all over the world. The only way you will get real success in cheese marketing is by studying the ultimate markets, and controlling the flow so that your cheese will only go to the cheese markets of the world at times when those markets can absorb it. In short, you will apply this great principle.

Selling Cheese in Ontario

As you people sell cheese now and as we used to sell it in California, we used to let the price be determined by the supply at the point of production, the worst blunder ever made, because the price ought to be determined by the supply at the point of consumption. As long as the growers stand for that system, as they are doing here now, they and not the public get the worst of it, or, more correctly, they as well as the public are getting the worst of it and only the speculators are getting benefit from that system.

Let me illustrate that with cheese: in April, May and early in June when the cows are giving the most milk you have the most cheese made. In 1921 the price of cheese collapsed within seven days from twenty-one cents to fourteen cents, and then kept around fourteen cents until the rush of cheese was practically over. You had an enormous quantity of cheese at that time, and the factories threw it all on the cheese market. The cheese was not eaten in these months. It was stored in Montreal, or shipped to England and stored there. That cheese was eaten in August and September and October, even in November; it was eaten in months when the cows produced less milk and the cheese factories produced less cheese. Now the public in England paid a high price for their cheese. They paid on the basis of the high price for cheese in September and October at the time they ate it. It had left the grower's hands at a price fixed on the basis of supply at point of production and whenever that happens the grower loses. Suppose the grower had moved on the markets in April, May or June only about one-fourth of that cheese supply, that the growers had an association so that they could store the balance of the cheese until August or September, that on the supplies they put in storage they borrowed money to give some money to the growers—because they always need money, for few of them have surplus funds in the bank. I suppose they do borrow this money and carry over this cheese until the factories are producing a smaller quantity, what happens? Instead of selling three-fourths of the crop at a low price they would have sold the whole crop at a fair to high price, so that they would have made a profit and the consumers in England would not have paid one more cent for that cheese in the long run. It would have made a difference to two or three hundred men, none of whom are assisting in the development of Canada or England, and it would have made a difference on the favorable side to a few thousands of growers and a great many consumers, all of whom are contributing to the prosperity of both Canada and England.

A Summary of Wise Salesmanship

Do not forget these principles. The merchandizing of agricultural products, to summarize, means the following:

First: Inspection and grading to improve quality.

Second: Getting the right and proper type of box.

Third: Extending the marketing period, first as to time and next by extending the markets as to place and location; next by controlling the movement of the crop and controlling that by considering supply at the point of consumption instead of at the point of production.

We have discovered that these things will work in California, and they will work with any type of product grown, perishable, semi-perishable and non-perishable. With perishable products the primary problem is routing so that no market gets a glut and no market a famine. With the semi-perishable and non-perishable products the problem is storage and financing.

There has been a technique worked out to take care of any kind of commodity that is grown. I will not detain you to give you the technique of building machines to achieve these things, but I do say that if you will only get the view that co-operative marketing is intended to stop dumping and substitute merchandizing you will have the kernel of the whole California movement.

That is why we say that for growers to band together simply to save a little by co-operative purchasing and things of that kind does not amount to enough. That does not help them to merchandize their crops, and if the growers will help each other to merchandize their crops they can make enough out of that process so that they can pay the same as anybody else for what they want to buy, in city or town. They will not have to think of that type of saving except in the same way that the city man thinks of it. The growers have one aim to accomplish, and that is to merchandize their crops instead of dumping their crops.

It has succeeded in California, and to-day the cotton men are imitating it, the tobacco men are imitating it, the grain men are imitating it. All over the United States this movement is spreading like a prairie fire. What does that mean to the grower? What does it mean to the community, to the consuming public and to industry as a whole?

California Growers Now Look Prosperous

First, for the growers it has meant a complete change in their whole method of living. The California growers look different to the growers in any other part of the United States. They don't have worry written all over their faces. They are not hopeless any more. They have had steady incomes for a few years, and are beginning to think of life in the same terms that other men think of life. They are beginning to think of physical comforts in living, of decent schools and churches, and so on. That is why, if you look through the California rural districts to-day you will see homes that are homes—homes with running water and bathrooms and everything homes should have, even electricity. We find they can pay enough taxes to get good roads and California roads are supposed to be the best in the United States. They can pay enough taxes so that the California rural schools are the best rural schools in the United States, although our city schools are known to be notoriously poor. They can pay enough taxes so that they can have real rural libraries, and in centres not big enough to have libraries they pay enough taxes so that they can have travelling libraries. You cannot go anywhere in the co-operative districts without seeing good churches, little movie houses and all the things that indicate good clean recreation as well as good comfortable living; and if you look on the roster of the University of California you will find that it is the largest in the United States—I am not saying it is the best, but the largest—and you will find they have more farmer boys and girls on their rolls than in any other two States in the United States.

The Boys and Girls also Get the Benefits

Our farmers send their boys and girls to the high school and, where they can, to the university. They have learned how to make money, and with this money they have bought enlightening education and decent living. They buy life insur-

ance at the rate of five to one over the best Southern states, and three to one over the best of other agricultural states. The California farmer looks on living from the same viewpoint that you or I look upon life. The California farmer does not need to make his boys and girls work on the farm between school hours. He does not send his wife to work on the farm, as is done in so many States in the South. The California farmers live on the same standard of living that you and I think is right for a city man with a small factory at this particular stage of civilization. The finest citizenship in California is on the California farm. The finest type of men and women is on the California farm, and it has been done within the last fifteen years. It has all happened since the California farmer learned to be independent—learned to run his own business in a dignified, sound way. To the farmer this co-operative movement has meant his first chance at life, his first chance at comfortable, sane living, his first chance at giving his family an opportunity for a higher type of living that you and I, in our better moments, think is due every man and woman today. To the California farmer this has become a gospel, and that is why these associations, which started out with a control of fifty per cent. of some particular commodity, now, with the strawberries and things like that, have ninety per cent. of the entire crop sold through one office; the raisin growers have 95 per cent. of the growers in one association, the prune growers have 88 per cent. of the growers in one association, the almond growers have almost 90 per cent. in one association; because our farmers have seen through co-operative marketing they achieve everything that modern civilization holds. It is the one great movement to them, the one thing that has really worked and is working now in a sound, permanent way.

What it Means to the Community

What has that meant to the community? First these farmers have got more money than ever before. I have in mind a district that in 1912 had a net return from raisins of less than \$1,000,000 annually. That meant that the growers had a spending power of less than \$1,000,000 a year from that industry. Up to 1918—and that was before the prohibition movement which changed the raisin industry in some regard—they had increased the return from raisins in that district alone to \$23,000,000 a year. They had more than trebled the crop and were selling every pound of raisins they produced. They had increased the purchasing power of those farmers to about \$23,000,000 a year. What did that mean? It meant that the farmers stopped buying their wives "mother hubbards" and let them buy decent dresses. They stopped buying overalls and started buying decent suits of clothes, decent shoes and all things which mean an easier way of living. They had better food, and they built better homes. In short, they spent that income right around in the town. The merchants who sold them the things made deposits in the banks or made investments. This and other towns began to thrive, and that is why in 1918, going to Fresno and those little towns around there, we are among the most prosperous cities in the world for their size. If you go to Fresno you will wonder from where this prosperity comes. It is the centre of three great co-operative organizations, the raisin, the peach, and the fig growers, and tops all cities in Babson's list of prosperous small cities of the world. All that out of agriculture and not out of manufacturing. That same story can be told of other little towns that are centres of the co-operative movement. These towns are away above the small farming towns of the north-east in average prosperity and wealth. What did it? The growers did it and the communities helped, because in our California communities, the financiers, the merchants, the lawyers,

the travellers, all recognized that if agriculture is not prosperous the community does not prosper, and these men came out and helped the growers form these associations. The first money ever gathered together to help California growers organize was \$26,000 donated by Santa Anna merchants. When the raisin growers organized, \$300,000 in cash was got from the merchants of Fresno and surrounding cities. The men in business have realized that the life of the community is the life of surrounding agriculture, and they go out in their waggons and machines to help the growers get signatures to contracts for these associations.

What it Means to the Consuming Public

What does it mean to the consuming public? I know that a great many thinkers believe that if the grower gets more, the consuming public must pay more. There are two sides to that. Even if it did mean that the consumer had to pay more money, still the movement would be justified. No consumer has a right to say that he should have cheap goods if the price he gives means that he is keeping his heel on the neck of his brother. No consumer has the right to ask any grower to produce cotton, for instance, if the price that grower gets for his product is keeping him in something absolutely as bad as the old-time slavery. But it does not work that way. We do not ask for more money from the consumer in the long run. Take the case of oranges. You are getting better oranges to-day than you dreamed of when the association was started. You get good graded oranges every day in the year. Where they used to have a three months shipping season; now by scientific planning they ship oranges every day in the year. They have extended the shipping period from three months to twelve months, and those oranges are actually costing you less to-day by twelve per cent. than they used to cost you before the orange growers were organized. And the orange growers are making more money. Why? Because they are selling all the oranges they raise. In the old days they sold perhaps one-third of their crop, and the other two-thirds rotted as your apples rot here in Ontario. If you could move all your apples to market you could afford to take a pretty fair price for those apples, and make your profit depend on volume and not on the margin. The speculator depends on the margin, the merchandizer depends on buying, on the volume.

What Cabbage Co-ordination Did

The people of New York were paying for cabbages twenty to twenty-five cents for these cannon-ball cabbages. In the Rio Grande field in Texas they were offering the growers \$8 a ton for those same cabbages, a price, it was felt, that would not even pay the freight to take those cabbages to New York where the people wanted cabbages. If those growers organized and, co-ordinating their efforts with those of the growers of California, could have got together, they would not have needed to sell to the buyers down in the Rio district or in California, but would have managed to get them to the market in New York; and if they could have delivered those cabbages in New York they could have sold them for seven cents each, paid the freight, and paid the cost of production and could have made more than \$10 a ton for those cabbages.

As it is in practice, the whole crop of cabbages rotted in the Rio Grande, and in the fields of California which are not organized, because most of these cabbages are controlled by Japs—efficient farmers, only we wish they would farm somewhere else.

With perishable products the consumer suffers, and even the grain grower, by having non-co-operative marketing. If you will only study what happens in this country and how much of the crop stays in the growers hands, you will

realize that the consumer is the great sufferer for the lack of organization among the growers; and with non-perishable products I wonder if you think it makes so much difference to the consumer if the grower gets his share? Wheat was dumped by your Canadian farmers when wheat was at one dollar a bushel, yet at that time every student of grain knew that according to the statistics grain had to come up. Your people had to dump their wheat, they could not hold it. They were not organized to put it into elevators. They were not accustomed to doing that sort of thing because they were not organized for co-operative marketing. But in Washington, as in Idaho and Montana, there is a little wheat growers' association. They sold a little wheat and then they decided that the market was not normal, so they put the wheat they had into elevators and warehouses, and they finally sold it at a price ranging from \$1.40 to \$1.60 a bushel in average return for the growers in the State of Washington.

Who Gets Most of the Wheat Profits?

On the Marquis wheat their average return will be more than \$1.40 a bushel, where the average return on Marquis wheat in Canadian districts—wheat which you Canadians originated for us, wheat just as good if not better than theirs, and grown with just as much skill—averages less than \$1.10 a bushel. Your farmers lost 30 cents a bushel on more than 250,000,000 bushels of wheat. Your farmers lost it, but do you think you as consumers are paying less for the bread you eat on that account? Do you think you get the benefit of it? That wheat was stored, and one firm in Chicago is today long more than 40,000,000 bushels. That firm is making a clean-up this year. You are not making that benefit. That firm knew something about statistics, and were willing to take a chance on it. They have that wheat in storehouses today, and they are going to sell it at perfectly good prices. Some think wheat is going to \$1.90 or \$2 a bushel, and they are holding the wheat, and you and I are going to pay for it and pay the price they choose to sell it for through the miller. The public does not get any benefit on that particular kind of transaction, and the growers lose an enormous amount of money. And because the grower loses that amount of money that means a lessened purchasing power by the grower. Every merchant in the community loses that business. That merchant buys from the wholesaler in Toronto, and the wholesaler also loses from that sort of proposition. Wherever you have speculation instead of merchandizing the public loses and the grower loses, and somewhere in between we manufacture a few more millionaires with a limited purchasing power except for pearl necklaces and the sort of things you read about.

True Co-operation Does Not Stick the Consumer

The great aim of co-operative marketing is not to stick the consumer. The great aim is to merchandize that product so that the consumer's dollar can stay where it formerly did but so that the grower can get his share out of that consumer's dollar. In California, in dried fruits, we used to get eight cents out of the consumer's dollar, but now the California co-operatives get forty-eight cents of the consumer's dollar without increasing the dollar. In dairy products we have gone up a little more than 14 per cent. in the share of the grower out of the consumer's dollar. Our aim isn't to stick anybody. It is to introduce a system which prevents waste, to introduce a system which prevents speculation and to introduce a system which means that the man who produced farm products shall have a chance to merchandize that product and make a real living, a civilized living, out

of that product, so that from the standpoint of the grower, the standpoint of the community and the standpoint of the consuming public this co-operative marketing movement has more than justified itself.

Co-operation Develops Better Citizenship

And then there is another phase that we have to think about. Do you think you are producing good citizens out of men who feel that everything they do is manipulated, and that they are losing out of it. Do you think you are producing good citizens when you make a man feel there is no fair industrial basis for their living? From the standpoint of citizenship this co-operative movement has been the most valuable thing we have ever had in California. It has united classes. It has not separated the classes in California with bitterness. It has united them in the State of California. It has built up the finest type of citizenship which the State has ever known. And it has gone further than that. It has entered into the life of every man who participates in it. He comes to realize that the other man is a man just like himself, that he is doing something with the other man. They have recognized that. You can see it in their faces. That is why we have these wonderful managers in the co-operatives constantly being offered doubled salaries if they would leave the co-operatives. They never think of leaving the co-operatives because the sense of service has got into their blood. They realize they are doing a big constructive thing. There is a different spirit in our farmers since co-operative marketing has become more or less universal. I have seen that happen. I have seen men who couldn't be gotten together for any other purpose, once they have got together for co-operative marketing they will get together for clubs or to build churches or schools or any other purpose for which men can properly and wisely get together. There is a spirit that grows from co-operation that you will never find anywhere else.

Encourage Co-operative Selling Because it is the Right Thing

I want your interest in co-operative marketing, not because it is a matter of dollars and cents in the pockets of the grower or the pockets of the merchant or the community at large. I do not want your interest in co-operative marketing on that account. I want your interest because, in the first place it is the right thing, and because it is the one great permanent movement by which a new and fuller spirit of citizenship has been created on the farms of the United States, on the farms of Denmark, and the farms of every country in the world in which the growers have learned to work together intelligently on their primary industrial problem. And, men and women of Toronto, I hope you feel with me that it is not only a farm problem. It is a problem for you as well as the farmer, and you will not be doing your full duty as citizens unless you give moral support and more than moral guidance to the development of this movement in Ontario. We have done a thing in California which you can do in Ontario, and since you can do it, I know you are going to see that it is done. (Applause).

ENDORSED BY THE PRIME MINISTER

Co-operative Marketing is Task Urgently Demanding the Best Thought of the People of Ontario

HON. E. C. DRURY: I did not come here to-night to talk but to listen, and I have been abundantly rewarded for my coming here in the words I have heard and in the vision that has been given. I do not know how the speaker managed to know so much of our conditions here in Ontario.



An Interested Student of Co-operative Work

As the chairman said, I have for years been interested in this matter of co-operation. I have been interested because I think I see in it a great means of improvement in a field that it is of national moment should be improved. I think perhaps our agricultural conditions here have not fallen to the status they have in certain parts of the Union. I think that perhaps a larger proportion of our land is in the hands of owners than in some of the prosperous American States, and I think perhaps our standards of living have been maintained more nearly level with other classes in the community. But while that is true there is still a tremendous work to be done. We have here in full evidence the remarkable flow of

population from the rural districts to the large centres. Just think! About one-sixth of the whole population of Ontario is within five miles of this building to-night. Our best agricultural counties are losing population, not because modern machinery is displacing men—that never had been true in this country though it was true in the older countries where agriculture had already fully developed before the introduction of machinery. It was never true in this country, because agriculture was developing and is still developing with the introduction of labor saving machinery. We have places on the farm for three times the agricultural population we have there.

Co-operative Effort will Keep more People on the Land

They have left the soil because of economic conditions. I remember three or four years ago saying at a luncheon that it was a field we must look into, and I remember the superficial comment that was made on that statement by a city daily, that it was useless to complain of the population leaving the farm, that the man who used to swing the cradle was now in the factories making binders.

If this Province is to go ahead in the production of wealth we must have more people on the farms, more intelligence on the farms, more production on the farms and more prosperity on the farms. You cannot get it in any other way. After all, the members of our community, our Canadian community, who go out into the world and earn the family income are in our basic industries—agriculture, mining, lumbering and fishing. The rest of the family merely wait in a domestic way on those four. They go out into the world and earn the family income and pay their brothers and sisters for the little housekeeping chores for the main members of the family. And the biggest of these brothers is agriculture, and agriculture must continue to be the great earner of the national income for years and years to come; so that our national growth, our national prosperity and our national well-being will depend on the prosperity of that great basic industry, agriculture.

That is a pleasant vision our friend has given us of a prosperous countryside of the finest kind of homes with a land that is tilled because it pays to till it, of men who are prosperous and can do good business by working together, a country of churches and schools and wholesome amusements. It is a most entrancing vision. And it means another thing of great importance, and that is keeping the right kind of people on the chief material asset any country can have, and that is agricultural land.

The Farm Character Tinges The Nation

It is a very common saying, and I think it is true that the quality and character of a nation's population is found on the farms. It is a thing that is well accepted that no population centred in great cities can maintain itself. It is also a fact, and cannot be questioned, that the welfare and the very life of our people depends on the producing land, depends on the quality and quantity of the food that can be produced and the quality and quantity of other things that can be produced on the land. That being the case two things are important. In the first place we must keep the best of the people on the land, fit for the task of maintaining the standard of national population and in the second place we must keep the right sort of people on the land in order that they may keep the land in condition to serve the generations to come. You dare not allow the land to get into the hands of people of low intelligence, of low standards of living, and in order to do that you have to maintain rural prosperity.

It is the problem not of the farmer only or of the man in the small town, it is the problem of the nation. I like that vision given us, and if it can be

applied in California, which, as Mr. Sapiro has told us is three thousand miles from its markets, what can not be done in Ontario, because Ontario is in absolutely the finest position in America from the producers' standpoint, the nearest to markets in all directions. It is the most southerly point of Canada convenient to European markets, with water transport, and it is also thrust like a wedge into the chief consuming centre of the United States. If these things can be done in California what can we not do in Ontario? We have been trying to do a little along this line for years, but I think we have only been playing. I think perhaps we have not got down to the basic principles underlying it—got down, as the Scotch Presbyterian would say, to the root of the matter.

The Movement Deserves Support

It ought to be our task, having in view the large issues I pointed out of national interest in farm prosperity, better farm homes, better farm people, better tilled land and living attractive enough to hold the people on the land—it ought to be the task of every class in the community to build up a movement which means so much to agricultural prosperity. Mr. Sapiro has pointed out very clearly that it does not mean higher prices to the consumer. I think the California producers have adopted a good plan. They make the people eat their products. It is a strange thing that in a country producing some of the best cheese in the world the cheese eating habit should be almost absent. We send that excellent food to other quarters of the world. We may have to take that sort of method, but whatever we do it will be abundantly worth while. I do not mean to the speculators, because I do not care what becomes of them, the sort of man who merely sits as the miller I once knew did. He had, in a certain spout in the mill through which the grain ran, a little hole and out of that little hole ran a little pile of grain that did not go into the bag of the man who brought the grain to the mill. We have, unfortunately, certain people who are not useful to the community who are merely the hole in the spout. The product on the way from the producer to the consumer leaks out and forms a nice little pile of easily obtained but not earned wealth. Now, if this programme hurts that class of people I am not going to cry, and no one should cry because no one in the community should be interested in protecting the profits of anyone who does not earn them. If we can see that the profits and rewards go to those who earn them we will be doing well, and if a few dozen people find their incomes injured, we won't worry.

Co-operation is an Enemy of Waste

The great thing is this; that by means of this method waste is cut out and increased production is followed by lower prices to the consumer, because the present method which discourages production, ultimately increases the price to the consumer. By means of methods of that sort in California they have been able to put the producer on a new basis, a prosperous, self-respecting, contented basis and in doing that they have been able to produce what is really a wonderfully invigorated national life.

I respect and admire the people of California for what they have done. They have done a great thing. But I have self conceit enough in our people in the Province of Ontario to believe that what they have done in California we can do in Ontario. As I started out to say, this is a task to which we must set ourselves, and we must not be content until we have carried through a movement that means so much not only to the farming class but to the good of the whole nation. (Applause).

MARKETING IS BIG PROBLEM OF ONTARIO FARMERS

Minister of Agriculture Shows the Need and Points Way to Effective Organization

Speaking at Ridgetown, Hon. Manning Doherty said:

I am particularly pleased, on this occasion, on account of the fact that I have been able to bring with me to address you, Mr. Sapiro, of San Francisco, California. For many years I have followed with interest the work which was being done in the United States by Mr. Sapiro. I have admired the uniform success which has attended the various associations which he has been largely responsible for bringing into existence. Many years ago I made the statement, and have re-



HON. MANNING DOHERTY.

peated it time after time since, and I more than ever now believe it to be true, that the salvation of agriculture on the continent of America was to come through the development of safe, sane, proper, co-operative marketing associations of farmers themselves.

What Farmers Have Done for Themselves

Mr. Sapiro will tell you, this afternoon, of the story of what the farmers of California have done for themselves, and his story will be as a romance to you, and I want you, all the time the story is being unfolded, to keep this in mind

—the words are not dropping from the lips of someone who has read of the theory of the development of agricultural associations. You are going to listen to someone who has had a dream, but to one who has actually done these things time after time, and by realizing this, the true force of the story that will be told will be brought home to you. And Mr. Sapiro will tell you what the farmers of California have done we can do in this Province and are going to do, in the next five years.

Now, Canada is faced with very many serious problems, and problems that are comparatively new to us. We know, as a result of the war, that our foreign obligations have been vastly increased. Our national debt is between two and two and a half billion dollars and for our small population that is a big load, but it is going to be paid and discharged, and it can be discharged only in one way, and that is by increasing our production and increasing our exports to the various markets of the world. The foreign indebtedness can be discharged in no other way, practically, than by exporting products of the country.

Importance of Agricultural Production

Agricultural products form a very large percentage of our exports. Over sixty per cent. of Canada's exports come from the soil. That being the case, it behooves us to see to it that our exports of agricultural products are increased and increased until we reach the point where we can discharge our obligations with ease. Increased exports mean this:—that we have got to retain the markets we now already enjoy; and not only have we got to do that, but we have got to go forward and get new markets and we have got to get a higher percentage of the markets into which we now already ship. We have to extend our markets.

What does that mean? We can extend our markets, in my mind, in only one way. We have got to see to it that our products going on to the markets of the world go onto those markets in the shape and form demanded by the market we are attempting to gain. We have to come to putting into practise the policy of grading our farm products if we are going to hold our position in the world. We are being crushed out of the market today by countries that were never placed by Providence as we are placed. We can grow the finest products in the world. We have shown in exhibitions that we can, and yet these other countries crowd us out of our foreign markets. They are going into those markets with their industry organized. They are going in there in a sane fashion. They are going in with their goods standardized as to grades and we have got to do the same thing, and do it in the next few years, if we are going to hold the markets we already enjoy.

Co-operative Associations an Actual Necessity

How are we to do that? In my mind there is only one effective, economical way, and that is by the development of the style of co-operative associations that I spoke to you about a few minutes ago. I know you are not directly or immediately interested in dairy products as they are going into the markets of Great Britain, but let us all realize, even although you may be growing tobacco or corn or other things that you are interested in it, and must see to it that every branch of agriculture is prosperous and substantial. We have enjoyed the markets of Great Britain for a great many years for our cheese and our dairying export products. We annually produce one hundred million dollars worth of dairy products. It might just as well be two or three hundred million, because we can produce them and we can produce the proper quality. We have been shipping our

cheese into the markets of Great Britain. We were in the exporting business long before any other country, and we had practically a monopoly so far as the British cheese market was concerned.

New Zealand and the Cheese Industry

Then, in 1916, when there was a great demand for cheese and the price was high, New Zealand, one of our sister dominions, of which we are very proud, which had for years been largely producing butter, started to make cheese, and she started to ship cheese, of course, to the cheese market of the world, which is Great Britain. Since 1916, when she made her first cheese for export—and that is only about five years ago—since that time she has increased her production, because she found she could make good cheese and make money out of it, and she has gone on and developed it, and she has increased her production of cheese in that time by four hundred per cent. She is shipping it right into the market where we had been shipping for years and years. South Africa saw what New Zealand was doing, and she said: “We can make cheese.” She went into the production of cheese, and before 1917, South Africa was an importing country, but since that time she has become quite a considerable exporter, particularly of cheese, to Great Britain. Now, in New Zealand, the marketing of agricultural products is highly organized. You cannot ship a pound of cheese or butter or anything out of New Zealand to the markets of the world unless it goes through the hands of the Government graders, with the result that the merchant in London when he orders a ton of No. 1 cheese or Extra fine cheese, he knows exactly what he is getting, and that there will be no trouble about it. It is the same with their meats and everything that goes out of the country.

Must See that Quality Gets Better Price

We have been selling our cheese as cheese, just as we have been buying our hogs as pigs. We have been talking quality. We have gone up and down the highways of this Province for thirty years, and our men from the Agricultural Colleges, and myself among them, twenty years ago, telling the farmers what to do to produce the very best. But when they went out to sell they got the same prices as the fellow who produced something that was not the best. So you can see how far we have gotten in the last twenty years. And I say, it would be a calamity if we fail to look ahead three or four years and see what is going to happen. If New Zealand and the other countries go on and increase and increase and push us back, we will find ourselves in regard to cheese just the same place as we find ourselves today in regard to bacon.

Danish, Irish and Canadian Bacon

We find today Danish and Irish bacon selling from twenty to thirty shillings per cwt. higher than ours. We produce some of the finest bacon here that is produced on earth. I have seen load after load of Irish and Danish bacon unloaded, and our bacon was equal, if not superior, to any that they can produce, but our bacon goes over there simply as bacon; all grades of it. We have got to waken up and realize that the reputation of our products in the markets of the world is a great national asset. (Hear, hear!). No country depending on production for the payment of her obligations can afford to let any man, firm or corporation make or break the country's reputation. Canada has got to see to it that no one can play lightly, when the market is good and prices high, when you can sell anything, to allow any man, firm or corporation to bring in inferior stuff and

put it on the market as Canadian goods. It is a crime. And this country has got to waken up and waken up fast. It makes no difference how big the corporation may be or how strong, they are not as big as this country.

Now, my speaking in regard to these dairy products was all leading up to the fact that there is a tremendous work to be done, and done in the immediate future, and I believe, my good friend Mr. Sapiro believes, and he will show you, there is only one way of doing it and doing it effectively.

Ontario Grows Choice Farm Products

We can produce in this country the finest quality of products; and we produce fairly economically, but there is always scientific work to be done and investigation work to be done especially with the corn crop in this part of the Province and the other crops peculiar to this district. We cannot work with these special crops in any of our other stations. There is a great work to be done in the department of production, and we hope to make this station here a centre for the farmers' organizations in this portion of the Province. And we want to make this institution one of force in the Province, because we feel, and I have no doubt of it, in the next few years you are going to see the farmers of Ontario thoroughly organized as regards marketing of their products.

I went over to the Old Country recently.* I knew what apples were selling for here, because I sold mine before I went. Good hand-picked apples in barrels were selling for five and six dollars a barrel here. I went over to England and saw Englishmen paying from \$21 to \$26 a barrel. And I said, "We have apples going to waste while people in England cannot afford to pay for apples at \$21 to \$26 a barrel. If they could get them for \$10 a barrel it would be better for them and better for us." I talked to them about it and they said: "You must realize that the fruit trade here is in a very tightly organized ring. If you can break that ring you have some job." I looked it over, and I said: "This problem can be solved, but the first work must be done at home. We must have our own folks at home thoroughly organized and then the next step is to handle the ring."

Urging Co-operation upon Niagara District Fruit Men

I came back and I pointed out to the fruit men in the Niagara district what advantages would come from organization. That year there were hundreds of thousands of baskets of peaches rotting in the Niagara district. Yet people could not get peaches in some localities. One day they would ship peaches into Toronto until they could not give them away, and they would rot and spoil, and then they would have none. These growers had the experience, and they agreed to organize. They got their organization in operation, I think along fairly safe lines. Mr. Sapiro has made some suggestions for changes which I think are highly admirable. We were amateurs. We had not anybody to advise us. We had to use our own knowledge and form up as strong an organization as we could. The Association was organized and has been going one season. It did not get into operation until May 9th, but they handled last year, over one and a half million dollars' worth of fruit. There has been no glut on the market and the fruit has gone to Winnipeg, Halifax and the other cities, to suit their respective requirements.

A Lesson with Asparagus

I was talking to one man in Port Arthur. I saw some asparagus for sale. It was Niagara Peninsula asparagus. And I asked the man how he liked the stuff he was getting from there. "Oh," he said, "it is fine. It is all nicely crated and we get it every day, enough to keep us going. Before we never could get it

that way. There would be a carload and then nothing more, and it would spoil on us. But now we get it every day." I was talking to a man in Toronto. He asked me how the crops were going to be this year. I replied they looked as if they would be very fair. "Well," he said, "Asparagus is a failure, isn't it?" I asked him why. He said, "We always could buy asparagus cheap. We could get it and buy it up cheap and send it out to the canners, but this year we can't get it. There can't have been as big a crop." But this year was the biggest crop of asparagus we have ever had, but with the organization, it was distributed to meet the demand. Consumers should always realize that it is not in their interest that products should be wasted. It is not in their interest that at any time any man's products should be forced to sell below the cost of production. I am not going into the proof, but it can be proved beyond dispute.

The fruit men are going on next season and they are going to take in apples and inside of two more years they will be doing a business of from five to ten million dollars. I went into a store two weeks ago to-night and asked for some Northern Spies. I had this year only a few barrels myself. I was told they hadn't any. Right in front of me was box after box of my friend's oranges from California. You can go into any store and see the same thing, and 90% of the fruit you see on display there doesn't come from Canada at all, but from California, Oregon and Washington.

Canadian Apples Win in England

We sent some apples over to England last September, and took, not only the £100 trophy now on exhibition in the Parliament Buildings, but we took four or five silver medals, against all the world. That is true of apples. I must tell you about cheese. I saw Australia carry off the trophy for the best cheese exhibit, and I said: "That has got to stop." So we took a space and made an exhibit at the Dairy show last fall, and we took the first four places for our entry of cheese. So it shows what we have got. We have the apples. Why is it we haven't got the market? I sent one of our men to Scandinavia to look over the possibilities of trade with them. The first store he went into in Denmark and Sweden were displaying British Columbia apples.

I have a letter from a friend of mine, sent by the Manager of the Co-operative Association of British Columbia, to his growers. He was writing this letter, and he was telling me what they were doing and what the Association were doing and he says in the letter—it was very nice reading for an Ontario man—that they had succeeded in getting the market of the three prairie provinces which we formerly had control of, and then he said: "You will also be interested to know we are also shipping apples into the old apple Province of Ontario. Last month we shipped thirty carloads to Ontario, and we shipped fifty carloads of apples through Ontario into New York City." He headed this paragraph "Carrying Coal to Newcastle."

We Have the Goods—We Must Get the Markets

That is a nice situation! We have the product and cannot get the market. Why? Because we are not organized to hold our place in our present markets and to get new markets. The Fruit Association will go after it and get their apples and peaches not only in the Ontario markets, but they will get a higher proportion of the Western trade and put our fruit in the mouths of Englishmen at a better price, and then it will pay you and pay me to keep five acres of orchard, because we will know the crop will be moved off rapidly and carefully. I had a

meeting in Dresden last fall, and the next day I drove down to London, and I met a farmer and we were chatting at his gate. And I said: "You have a nice orchard." "Yes," he said, "but I cannot sell them, and the boys and I go out and pick what we want for ourselves and shake the rest down for the pigs."

Organization a National Necessity.

It is necessary for us to organize our agriculture in order to get those markets and to hold those markets. I have the belief that it is a national necessity that we get these markets and hold them, and increase our markets—extend our markets. It can be done not by Governments, but it can be done by you and you alone. The Government can help and assist and direct, but anything that goes from the top down and you shove down the farmer's throat will never amount to that, but something that the farmers build themselves will stand. The farmers have got to organize themselves. They must realize that selling of goods is a special line of business and it is just as important as production. No manufacturer will build a factory and manufacture his goods and then pile them up and say: "What am I going to do with them?" No. As soon as he had the machinery, he would get his selling staff organized and when he was making the stuff the sale would be provided for. Now, we have got to do that in this country. I hope to see the farmers of the country come to realize this, too, that when you sell something off your farm your interest in that product does not cease. The man who is interested and interested alone in satisfying the Englishman when he is eating cheese and in creating in the English mind that it is good cheese, is the man on the back concession here, milking his ten or fifteen cows. He is the man and the only man who is interested. The man in between, no matter whether the price goes up or down, his margin of profit will be the same. But if the men eating our cheese or apples are not satisfied with the quality or price, they won't consume them and the market will be lessened. When the market is lessened the producer of the stuff is the man who is hit. So you and I have got to realize we are interested in our stuff from the time it is produced until it is landed in the consumer's hands, and there is only one way we can see to it; that our goods go to the consumer at a proper price and that is by the farmer controlling the channels to him. The wheels that have been already set up do not need to be destroyed, but the control must remain in the hands of the producer.

A Personal Tribute to Mr. Sapiro.

Mr. Sapiro is and has been giving me a great, great help in my work because he also realized, out in his State of California, when his farmers had their backs to the wall, fighting for their existence, he realized that the man who had been given a chance, the same as he had been given by his parents, and the same as I was given by my parents—no credit to me, it is theirs—should realize his duty to his fellow men. And the time is at hand for anyone who can do it to step out and do it, because this country to-day has the right to demand the best of any man in the country, to try to see that we can, in a few years at the longest, enter into an era of prosperity in Canada greater than we have before seen. This is the last meeting in Canada at which Mr. Sapiro will speak, and I want publicly to state that I am indebted to him beyond words, and I wish Divine Providence will be kind to his children and family from whom he is separated for weeks at a time in fighting the battles for his own country. If I can reciprocate at any time I shall consider myself indeed fortunate. I know you are going to be fully rewarded for your attendance, in the address you will hear from Mr. Sapiro. (Applause).

POINTS IN THE CALIFORNIA PLAN

Mr. Sapiro Tells About "Pools," Five Year Contracts, Grading, Financing and Other Features Which Have Brought Success

In the closing meeting of the series at Ridgetown, Mr. Sapiro said:

The Minister of Agriculture has shown you very clearly that what you need for Ontario Agriculture is a right type of co-operative marketing organization, and I think every man in the room agrees with me and knows that this is the only thing that Ontario needs. But it is not enough to have a certain desire. It is not enough to want co-operative markets. You first have to understand what co-operative marketing really goes after, and after you understand that you have to be able to understand how you build up the right type of co-operative marketing organization. Everything that comes under the name of co-operative marketing is not necessarily co-operative marketing, and a great many things which are called co-operative are sure to fall through because they have not taken care of certain essential experiences or elements that have been proved necessary in co-operative marketing organizations. So I am going to discuss with you this afternoon the principal things that you have to go after when you build a co-operative marketing association, and then I am going to explain to you the things that you have to have in your machinery if you want success, and if you know of any association which does not correspond to that particular recipe, you can rest pretty well assured that that co-operative marketing association cannot work and will not work, because our California farmers have been through this for many years.

California Products Have to Travel Far to Market.

In our State, away over on the Pacific shore, farther down than British Columbia, we do not raise anything in the State that does not have to go two or three thousand miles to find a consumer. We have no location like Ontario, with the population of half of Canada right within your selling radius and right at the door to export to England. Everything we raise has to go across the continent and pay transportation and icing costs, and still be sold somewhere at a profit so that the growers can stay in business and keep their families alive.

Our growers had found they could not do that. They became desperate. They found they were going lower and lower in the scale of living and they had to find out how they could keep themselves alive and still keep in agriculture. Some of them had heard of co-operative marketing and they said: "We'll go ahead and form co-operative associations." Some of the men knew all about the co-operative associations in England, the Rochdale Associations. They did not realize that the English co-operative was a consumers' organization. What they did in England was to sell for local consumption. They have the greatest consumer co-operative association which is known in the world. But after all, our people were composed of a few Danes, and a few were Germans, and a few lived in the

Piedmont section of Italy, and some, again, came from Belgium, and all of these knew something about the co-operative systems in the old land, particularly the Danes. They knew they had worked out the right type of organization, which applies not to consumers but to farmers. These men went about and said: "There is a way out. All we have to do is to learn the Danish system, and see if we can apply that system to California conditions." Well, we didn't have any Doherty in California. If we had had Doherty in California it would have meant at least one hundred million dollars to us, and I will tell you why.

Early Co-operators Had to Stumble Along for Twelve Years

Our farmers out there had no guidance at all, and they had to stumble along for more than twelve years, with failure after failure, because our State gave us no guidance and our college gave us no guidance.

What our growers did was this: They would start an organization and fail, then they would study that organization. They would not get the idea that so many men have—here is an organization we have built up and it must be right because we built it. No, they studied its failure and saw why it didn't work and made a new start. They would try to ascertain whether the failure was in the kind of organization or in the contract, and in each case they achieved something better and something better, but it took them twelve years to do it, but they did it. But when the twelve years were over the California farmer had learned how, and since 1910 those California farmers have developed a technique for the handling of these commodities so that they know what is the right form for perishable products and for semi-perishable products and what is the proper and correct form for non-perishable products.

We handle over three hundred million dollars worth of goods every single year through our eighty-three different associations. We handle strawberries and peaches, grapes, cherries, dried fruits, currants, raisins, pears, apples, prunes, apricots, olives. Then again, canned fruit, small vegetables, beans, lima beans, walnuts, alfalfa, barley, poultry, eggs, butter, milk, figs, in fact, everything except live stock and the things that are controlled by the Japanese. Our farmers have learned how; they have made California a big laboratory. They have learned how to organize co-operative marketing associations, and to-day, if you go to any of the clever California leaders or any of the real California farmers, they can give you the points you have got to have in any co-operative society and if you do not have them in the co-operative you can not possibly expect it to work.

I will give you those test points, because you are going to have these movements developed in this country, and while I know Mr. Doherty is going to lead you right, you men have to be equipped to do leading yourselves and to do testing yourselves.

What Are Co-operative Associations Organized For?

The first thing you will think of is: What in the world do men organize co-operative associations for? What is the thing they aim at? In California here is how we put it: We say the aim of co-operative marketing is to stop the dumping of agricultural products. By dumping we mean this: You just throw it on the market as fast as you can. You do not think about what the other man has or is likely to bring to market; you do not know the absorbing capacity of the immediate market. You do not know whether Detroit or Cleveland or Buffalo can take more; you do not know how far your products can be carried and still sell;

you do not know the marketing conditions of your product, so you just bring it in to the nearest man you can find, or commission house or whatever it may be and you throw your product at him. What happens? Each grower throws his product against the other man. It isn't the speculator who breaks the price of agricultural products, it is the grower who breaks the price. The speculator stands aside and picks up things at the low price which the grower makes by dumping. We stopped that in California. Instead of dumping, we saw that the farmers have to learn to merchandise their products. And by that we mean to control the flow of their products, that they flow into the markets of the world in such quantities and at such times that the markets can absorb them and at a fair price.

Principles in Co-operative Methods.

We say in merchandizing the first thing to do is properly grade your products. Grade it upwards, and make sure the thing you are selling can have a brand name put on it, and it is always the highest quality of that product that is brought on any market. We spend hundreds of thousands of dollars in inspecting everything that is delivered to the co-operative associations. We go behind that, we go to the farmer and try to get him to begin to produce high class things.

The second step is that your package has to be perfect. You have to figure out a package that will stand the travel to the markets at which you expect your product, not to be sold but to be eaten, and then your package has to be one that is convenient to the person who is going to use the product or commodity when he gets it. Take, for example, things like celery. Our growers used to put it in packages which were perfectly all right until they got to San Francisco and the commission men got them, but we got rotten prices and we wondered why, and then we discovered they weren't packed right. They were packed to reach San Francisco but they didn't reach Chicago all right, and we lost piles of money through that carelessness. They bruised. Take prunes. We learned that people did not like to buy prunes out of twenty-five pound boxes. They were exposed in the stores and the dirt blew in on them and the women did not care to buy them. So we put them up in two pound boxes which is the unit people like to buy so you can buy prunes, sealed in two pound boxes and you can know it is just as good and clean as when it left California and the packing house there. The first step is to pay attention to grading and quality, and the second is, to the package, so that it will reach the consumer in the right condition.

Markets Must be Hunted Up.

We went all over the world to find markets for our products. With perishable products we found out how far it was possible to go. We figure how many days any of these things can travel and then we find every single market within that circle, and then we get a big map and draw a circle around and include every city that can possibly take our perishable products, and we say: "Why aren't we selling them there?" If we find someone else is selling a better product at a cheaper price we throw our hands up, but if we find they did not take them because they didn't know about them, or if we find someone else is putting a poorer thing in there or something we can match we go in and compete. In one case we extended from twelve original points to three hundred and twenty points of sale. We search out as far as our product can go. We find the markets, and if we can't find the markets we create them. We sent to Japan and to England, and find out how we can increase the consumption of certain of our products. We noticed that English people eat more canned pears than canned

peaches. So we tried to bring about consumption of pears in American cities equal to the consumption of peaches. So we put on an advertising campaign in the city of Boston, and through the newspapers urged the people to eat canned pears. We increased the consumption of canned pears in the city of Boston this year by a little more than three hundred per cent. just by putting on the right kind of merchandizing campaign. Our Association did that, not the canners, although they had sold our fruit to the canners. But we can go to the canners and show them it is possible to increase the market for pears, when they told us we could not. We have shown them that there was a market, and we are going to get a much better price for our pears this year than we did last year, and last year we made a profit on our pears.

Some Markets Must be Actually Created

In short, we actually search out not only where we can find markets but where we can create markets. We sell our pears all over this country, either as fresh pears, canned pears or dried pears, and we investigate each type and the consumption possibilities of each type so we can move everything we raise into the farthest and greatest number of markets of the world we can possibly reach. So, in merchandizing you must understand your markets and extend them by time and by place. But it is no use doing that unless you learn how to control the flow of your products so they go through a single channel. It is no use having eight hundred cheese factories in one part of the Province of Ontario, each one of these fellows selling when he feels like it. There is no use of finding great markets or developing a great market unless there is a central office that controls the flow of the market. Remember, with perishables the great aim is to see that every market gets as much as it can absorb, and that no market has a glut and no market has a famine. Individuals cannot handle it, individual commission houses cannot handle it. You have to have the crop moving under central guidance so it goes out in the right amounts and each and every market gets what it can properly absorb. Then, when you improve your market by advertising, fully, what do you strive for?

The Placing of Prices

Do you fully understand what I mean when I say the price should be made by supply at the point of consumption, and not at the point of production? When we set out to form a California co-operative we say the thing we are going to do is to merchandize the products and in merchandizing it these are the principles. First, grade it and make the quality and standard perfect. Second, pack it right. Third, extend the time and place of marketing. Fourth, move it out through a central channel so that each place gets as much as it can absorb at the particular time and no more, and then the price will fix itself on the basis of supply at the point of consumption instead of supply at the point of production.

(S) Of course, we help that out by advertising. Four of our Associations alone spend more than two million dollars a year in advertising. We get people to eat our products. And so these are things we admit are not as good as your Ontario products, but we get better net returns for our products in California than you men do with your superior products and right at the door of the English markets, because you have the products but we have the products plus merchandizing organization. Therefore you must set out and merchandize your product. If you have any little savings in mind, for fertilizer or such like, it isn't worth anything.

Local Competition in Stores Not Desirable

I do not object to economy, but I object to people putting their energies into the wrong channel. Do not set up stores in competition with those that are already performing their work in a good way, to get little cheap economies, but first solve the great big problems and the others will take care of themselves. I do not object to consumers' stores, but where farmers establish stores, they must do so as consumers and not as producers. They are solving little problems by setting up farmers' stores. But do not let people get you off the main drag. You must have a leader who will show you how—you need an organization to stop you from dumping your products. You have one kind of machine for perishable products and another kind for semi-perishables and still another kind for non-perishable products. With non-perishables the problem is storage and finance, with perishables it is routing.

Importance of Incorporation

The next lesson was that you have got to incorporate every association under some sort of co-operative marketing law. We decided that the only kind of organization that was right for co-operative marketing was a pure business type, usually without capital stock, usually on a non-profit basis, without a cent of investment going in on the part of the growers. We organized them on the non-profit basis so the Association cannot make a cent for itself, and prohibiting the Association from handling anything for outsiders. They will not even let a lawyer in one of these Associations; they are pure farmer and nothing more, all the way through. Then these Associations are organized like a business, non-profit, non-speculative, and farmers only, and the basis of production is a written contract with the grower. Some men go around thinking that all they need to do is to incorporate it, and have some good fancy by-laws, and then stand back and watch it work. You never heard of a business man working that way. He sees he has a proper organization to sell something and then he will tie up every man with a contract, to deliver his product to the Association. Do not get the idea that because you have in the by-law that every man is bound by the rules and regulations, that you can make him deliver.

See That all Contracts are Clear and Binding

The contract has to be clear and plain in all of its terms, and tell just what the obligation of the grower is and what the paying obligation of the Association is, and it should tell all those things as far as it can be foreseen. We wouldn't dream of organizing an association in California to-day without a definite, expressed contract between the grower and the association, telling exactly what the rights and duties of each are and what the privileges of the association would be, and we would not think of organizing under one year contracts any more. We use five year, six year and eight year contracts. We realize if the growers are going into the organization they are going into it on the right basis, to give it a chance to develop the right men and the right financial connections and right mercantile connections. If you go to a man with a five year contract, he will deal with you when he would not deal with you for one year. When he knows you have the growers tied up for five years he deals with you, because he does not want to run any risk, and he knows in five years you can set up a competitor if he gets too rambunctious. We do not deal any more with fly-by-night markets. We do not believe in ropes of sand; we believe in ropes of steel. We have contracts that the growers cannot

break. Some people have come in and thought they could break their contracts. Then we go after them. We are the fellows from whom they get it, and we not only get liquidated damages, but we get injunctions to prevent them from delivering to anybody else, and we get decrees for non-delivery and then we make them pay the costs of chasing them up. And that is not a law of the State of California. That is a law as we have worked it out on English equity decisions. So we worked out these strong and forceful contracts. If a grower signs a contract he delivers the goods. We know in advance what the welcher will do. He will deliver and he will pay all our costs in making him deliver.

How the "Pool" Works.

One other thing. We always provide in California for an internal pool. Take tobacco. We would provide that any man who shall receive the same net price for that one year as any other person delivering the same quality or grade in that one year. You all know about the pooling law and you want to have it in your contract, because if it isn't in there will be trouble. Do not leave anything to chance. Remember that good motive is not anything. You must have the right technique and method.

Must Have Long Term Contract.

So you must have, in a good co-operative, a long-term contract, a strong enforceable contract, a contract that provides for pooling, and above all a contract that gives you a chance of financing your product. If it is a perishable, you do not care so much, because all you do is ship it and get your money back within a circuit of ten or twenty days. If it is a non-perishable you have to put up that product as a collateral and let the Association borrow money on it. Suppose you were a banker, and a man came to you with a co-operative proposition and said he wanted you to lend him money on this thing. Suppose the contract did not say anything about title passing or pooling, what would you say? You would say: "I don't think I can lend you money." And he would say, "Why?" And if you wanted to be perfectly frank and tell him what was wrong you would say: "How do you know you have title to the products? How do I know that if you don't pay that I can sell the things?" In this Province a banker has not the assurance that title passes. But the banker is not your enemy, because he refuses to lend you on those contracts. Perhaps it is we who are at fault and not the banker. But we get furious because he will not do something which he as a banker does not dare to do, and we are at fault because we did not provide for it away back and give him something safe to lend money on.

We went after that year after year, in California, until we hammered out the way in which we could guarantee our product and make it sure, so the banker would be satisfied with the contract. So you want the right kind of contract. You sign that contract—you won't have to sign it more than the once—and it will stand up in the banks and in the courts and you have a real Association.

Get the Right Man to Run the Business.

6 After you have the organization completed, you must be dead sure you have the proper man to run it. We say it is the biggest industry in California, and we will not treat it as a step-child. We will get the best men to handle our business we can. We do not get men who have been trucking. We get the best men we can and we pay them decent salaries to serve us and to serve us alone. Why,

we go to the railroad and get traffic managers; we go to the newspapers and we get publicity managers; we go to the business world and we get salesmen. We have no amateurs. Our growers have learned that they, as individuals can't sell agricultural products and stand together, but organized and standing *en masse*, their money can hire the best brains in the country to serve them. And so they run it in just the same way as any big business is run in your land or in my land. We have learned that the whole thing is to put business methods into agriculture, and we have to organize with the right machinery and employ specialists to run the machine. That is theoretical. Will you be patient while I tell you what we have done in one year with one big industry in the United States?

This thing originated with us in California, but it spread all over. The cotton men began to organize and the tobacco men began to organize, and even the maple syrup men in New York State. It is a natural consequence all over the country.

The Great Tobacco Co-operative Campaign.

You are tobacco men. In Tennessee, Indiana, West Virginia and part of Missouri they grow Burley tobacco which is not any better, if it is as good, as you men produce in Ontario, and your average production is about two hundred pounds heavier per acre than the Kentucky district. We will assume you grow good Burley. Now, these growers were pretty well broke by the buyers. Down there there were warehouses all over through these districts, great big auction warehouses, and the grower would trade his tobacco and dry it and tie it together in hands and bring it in to the big warehouses and put it out on the baskets and the buyers would go out and buy it. There are only a few big firms who are really buying: Liggett-Meyers, United States Tobacco Co., Lorillard Company, and each one of these companies would have a man at each one of the warehouses and the buyers would simply walk down the rows in the warehouses and they would pretend to grade the tobacco and pretend to compete against each other, and they would buy in at the rate of one basket every four seconds, or an average of fifteen sales to the minute. You cannot tell me any individual could grade tobacco, going through at that rate. You and I know they would simply make a guess, figure the average against the farmer and make a bid. In two seconds they knew the limit as to bids and they operated then as one buyer buying in the crop. These men would go up and down and perhaps buy all the tobacco.

Tragedy of Former Tobacco Days.

These growers would raise between 230 and 250 million pounds for the market. They simply dumped their tobacco against each other, and the result was the tobacco growers were the poorest farmers in all the country except a few of the cotton growers. They came down to such a type of poverty as I hope you will never see. They became desperate; they did what they called night riding, and would go and destroy the crops of people who would not stand in with them. Finally they went to Judge Dingan, the editor of the *Courier*, and he is the finest leader of any kind we have in the South. He never knew that the people of Kentucky lived as these people explained to him, or in Tennessee. He was very much interested, and he went to New York and took it up with certain bankers there, and they said there was only one way to it—send somebody to California and see if they could work out a plan like ours for their tobacco. Judge Dingan did it.

How the Clouds Were Lifted.

This plan was presented to them in March of a year ago, and they did not do any contracting until late June or July. They got every Burley grower they could to sign the agreement that he would deliver all the Burley tobacco he could: that the Association would grade it and put it into bales and sell these bales and take the cost of doing business out of the funds, and return the net earnings to the grower so that every grower would get the same price for the same quantity and quality. The directors would go in the same pool, and if they wanted to put a charge on some other man's tobacco the charge had likewise to go on their own. That is the principle of internal pooling. No advantage. There is no capital stock, it is a non-profit association, to be composed of only Burley tobacco growers, and they get it signed up in Ohio, Indiana, Kentucky, Tennessee and West Virginia and everywhere Burley is grown. It is a long contract and a strong contract.

They had a plan whereby they could buy up separate corporations and these separate co-operatives would have all the money and guarantees for the warehousing co-operatives that they would buy in the properties over a period of five years by a small, moderate taxation upon the returns of the growers. They were limited to two-fifths of one cent per pound each year. That is the old method by which the growers gradually acquire the property they need from deductions from sales.

Do Not Mix Warehousing and Marketing.

You must never have your warehousing association the same as your marketing association. The warehousing association has to be in a position to issue legal receipts upon which you can borrow money, and they cannot issue warehouse receipts on their own products. So we have to establish the organization and guarantee the produce in the warehouse, the tobacco that moves through to the marketing association, and we have to agree to pay up to 2/5 of one cent per pound every year towards the purchase of these necessary buildings. That is the limit, we don't have to go that high, and probably will not need to go that high, in Kentucky. The contracts were for five years, plus 1921, if they could get organized by November 15th, 1921. Then they appointed a committee of growers to see if they could do this work and get the signatures.

Long Time Agreements Important.

Judge Dingan was the Doherty of Kentucky. He acted as Chairman of that committee. He worked out the plans for that sign-up campaign, and the result was that before November 15th, they had signed up much more than seventy-five per cent. of the entire Burley acreage in Kentucky, Ohio and Indiana. As a matter of figures, they had 55,710 contracts with individual Burley tobacco growers under which every one of those members has to deliver his tobacco to the association for the year 1921 and five years thereafter. The association was then incorporated. Do you know, Kentucky did not have a good law for that, so they even had to put a law through so they could incorporate it under the laws of Kentucky. In the meantime we incorporated it under the laws of North Carolina so we could operate. You are lucky here. Your laws are easy enough to enable you to do anything you need to in the way of organization. We have forty-eight great States but no two of them have the same laws.

Settling the Warehouse Problem.

But we did this, and then came our problem: How are we going to get this tobacco, how are we going to grade it, how are we going to warehouse it, how are we going to dry it, and above all, how are we going to give the growers some money on the day they deliver their tobacco? Because they have to have money, unless the co-operative association harms them more than it helps them. As we said, we have got the places in which to receive the tobacco—we believe receiving points must be arranged at every local point where the growers needed them. They must be made convenient for the growers to deliver their product. So we got the warehousemen's contract. We said: "We'll be frank and fair, we are going to make a proposition to every warehouseman in the Burley district to pay for his room for five years, and we will pay a good price, but it will only be for the fair value of his physical property as reached by arbitrators." So we drew out a contract fair to both sides, as we thought, and we called a meeting of the warehousemen. We held four meetings of warehousemen and we signed up 117 warehouses in that whole Burley district. Only 13 warehouses in all that Burley territory refused to come in with the growers. We took immediate possession of these warehouses under those arrangements. We put managers in charge, usually the old warehouse managers who knew the men, and generally, the men thought they were fair—put those men in charge and got ready to receive the tobacco.

Getting Over the Grading Difficulty.

We had always been told that tobacco couldn't be graded by the growers. That is true, but you can get men who do know how. We located Mr. James Stone, of Lexington, and secured him as our general manager. He was not chiefly a farmer. He was a warehouseman who had been a tobacco buyer, and who was a director of banks, and a man who believed that he could not only be of national service but be a big man in his own territory. He sent for some of the best men he knew. He said: "I want to set up a set of grades so that I will know just what the tobacco is this man delivers to me, so I can give him a receipt showing to the dot what his credit is." They worked it out, and in about a week they set up a new grading, the first scientific grading ever known on this continent. They have fifty-two grades. They took it from the ground up, on the stalk, on the type of leaf, and as it is in color. Then they have a series of numbers telling the color and condition of each of these leaves. They have a series which absolutely covers the grading field. Then Stone advertised for graders, and men came who thought they could grade. Then he sent around for tobacco leaves and he put these men to school to learn how to grade. He gave them examinations and those who got eighty per cent. were kept, and those who couldn't make make eighty per cent. were dropped out, and others taken on. No grader grades tobacco in his own home district. No grader grades tobacco knowing whose tobacco he is grading. We announce to the growers when they could deliver the tobacco, and on the day that the grower delivers at the warehouse there is a technical grader ready to take his tobacco and tell him he has 75 lbs. of our grade 1; 84 lbs. of our grade 2; and so on. Before the grower goes away that day he has a complete appraisal or receipt telling just how much of each grade of tobacco he has delivered and the grades are the same in Tennessee as in Kentucky—universal grades.

Banks and the Co-operative Men.

The third big job was how we were going to get the money to give the growers an advance payment on the day they delivered the tobacco. We got our grading

fixed, and then we called for a meeting of representatives of the banks. We said: "Here's what we are doing, we are setting up this thing and we are going to be good and business-like about it, we want you bankers to see just what we are doing." They said, "Yes, yes, it looks very nice." We said, "We are grading the tobacco." "Yes," they said, "but what does it all amount to?" "We are grading the tobacco so that when we ask you to lend us money you will know what this means. You don't know whether tobacco is worth 60c. a pound or 45c. a pound because you don't know its grade, but we are setting up a system of grading so we will be able to tell you just what every hogshead is worth, so when you make the loans on that you will know you are safe." The bankers were interested in that, and they sent their men down to see what we were doing. But when we wanted to borrow money, they said, "Have you got title?" "Yes," we said, and we showed our contracts to sell in pooling quantities. The bankers went away and they wrote a letter and asked us what we wanted. We said: "We want you to send your tobacco men down to see what you will lend on each type of tobacco, 40c. a pound on C.3., 60c. a pound on C.4. (cigar wrappers) and such and such a grade." These bankers thought about it and hesitated. We then met with a group of city bankers and went over that proposition and showed them that they were lending that money to the dealers, and we wanted them to lend it to us and it would be loaned more safely because we had the tobacco to put up as collateral. The result was the bankers agreed to lend us one and a half million. And then a smart lawyer got busy with them. This thing was unconstitutional under the Trust Company laws. We admit he was a much greater lawyer than any we had connected with our association, but he couldn't convince his own banker that he was right, and Mr. Brown, one of the biggest bankers there, got up and said: "I believe this thing is sound, and I am ready to lend them half a million no matter what any of the other bankers think." And we found we could get one million from the bankers in Louisville.

More Money was Needed and was Got.

But that was rotten! We needed at least \$1,200,000 to \$1,500,000 for one week's delivery and at least three weeks in which we would redry that tobacco and convert it into other security and then borrow money from outside banks if we had to. So we had to have four million for immediate financing.

I went to Cincinnati to see the bankers there, and they said they would help, but it did not seem enough, so we sent wires to the bankers in the Burley district and had them come to Lexington. We told them what the Louisville lawyer had said and what the answer was, and said, "Mr. Brown's giving half a million. We need \$3,600,000. What are you men going to do?" The answer came like a shot. One little fellow got up and said: "My bank's only a little bit of a fellow, and my legal limit is \$3,000, but I will go my legal limit." That made my heart glad. Then Judge Dingan got up and said in his personal capacity, "I believe in this Association, and I know it is right, and I will give you a million if it is necessary." And before we closed books that day we had \$4,300,000 subscribed for immediate financing.

And Still More Money was Available.

Then we figured we had to have more money than that. (Laughter.) We must have 120,000,000 pounds delivered, but we did not want to have to be forced to sell it, even if we were sure we could make sales, but we didn't want to rush our sales. The easiest way to make a sale is to be able to carry your stuff. So

I went to New York to some of the bankers who had been lending to the California farmers. "Sure," they said, "You get your stuff in proper shape and in the warehouses and if your contract is the right kind of contract we will look after you." "But," they said, "don't go to the War Finance Corporation. We would rather do it for you." So we wondered why they did not want us to go to the War Finance Corporation, and we went to see them at Washington, and they said they would let us have up to ten millions, at six per cent. the money to be taken any time we needed it and paid back any time before December this year, and our security to be our warehouse receipts the same as at New York. We have not had to use one dollar of War Finance Corporation money. But the funny part is, the New York banks think we should borrow from them, the Chicago banks want some of this business, the St. Louis banks want some of this business. Why, the United States' Banks, who used to be absolutely opposed to co-operative business, are now on their toes to get our business, because they understand it now, but chiefly because they know that we put our collateral before them. We show the grade of the product and we have it in independent warehouses and we give them everything the old dealer used to give them and a good deal more. So our banking standpoint is fairly healthy in that association.

Then each grower on the day he delivered, would get a draft on the Association for so much per pound, depending on the grade he was delivering and he would deposit his draft on the local bank and get his money right there and then, and then the bank would send it in to the Trust Company at Lexington, not endorsed by any grower or director. No one person puts his personal credit. It is simply the credit of the Association on proper collateral.

The growers started to ship in and it was perfectly wonderful how they rolled in their stuff. Then we had to redry it. We never parallel a man's plant if we can arrange for its use. We simply want to make some money for ourselves, doing it, if possible, without his losing anything. So we started to make contracts with re-dryers. before we finished we had a contract under which we had options to go in and re-dry up to eight million pounds a week, at terms which were absolutely fair to us, and satisfactory.

How the Selling Problem Was Solved.

Then we said, "Now, we'll talk about selling." So we sent our cards to the big four. We sent our complete list of grades and said we would like to have them call and see our plant. We called on them personally, too, to show them we were not wild growers, but that we were good enough business men to do business with them. We said to one of them: "You have 200 buyers. Suppose we can show you where you can send one buyer to us and save not only the salaries of 199 men but know that you are getting what you ask? Besides," I said, "I know your buyers differ, and one firm had to put 18% of tobacco they could not use back on the floors and sell it at a distinct loss to themselves. So," I said, "you can eliminate everything but just what you want." They said, "That interests us. We will look through your grades."

We left them. Then we sent a telegram stating we were ready, and the Vice-President of Liggett & Meyers came down and saw Mr. Stone, and he shot out a big order sheet and said: "This is what we want, 100,000 lbs. of your grade 32, 1 million 200 thousand pounds of your grade D.7," and so on, a total of more than 20 million pounds of tobacco.

A Wakeful Eye is Ever Necessary.

In the meantime we had not been sleeping. We made a summary from the sales of Burley tobacco made the winter before. We knew that there were other smaller buyers in the field, and we knew that the big four would bid big prices to keep them out of the Association, so we explained that those sales would be our basis of sales and on those sales we had fixed the price which was fair to the growers. Now, Liggett & Meyers' order included very little of the high grades but a great deal of the low grades. And this was tobacco sold green. I am not privileged to give you the net price we are getting for the average, but it is quite a few cents more than the twenty cents a pound net for green tobacco to the growers. I am told you have made good sales, or what you call good sales. You net about eighteen cents a pound to the growers but our percentage on your grades is about six cents a pound higher than yours.

The companies took delivery of the tobacco, and it began to move out. Then Mr. Stone said, "I understand from the way things are going along that the tobacco crop is going to be short." So, after we had sold about thirty-six million pounds, Mr. Stone withdrew the price list and increased it, and to date we have sold about fifty-five million pounds of tobacco at prices made by the Association and satisfactory to the Association.

There is a Time to Stop Selling

Then we closed sale. We are not selling a pound just now. We are re-drying every bit of the tobacco, because we believe the crop is rather short and we are not going to sell another pound until every delivery is in and until we know accurately what we ought to charge for the balance of the crop. Our guess is that the growers will net at least ten cents a pound more than the outside grower plans to get in Kentucky, perhaps a little more than what you men have been getting for your Burley tobacco which you say is as good as ours and has a larger proportion per acre and therefore costs you less to produce.

The trick was turned in sixty days, without any war, without any type of abuse, with all classes co-operating with us. Mr. Stone is to-day the chief of that industry, a high-class business man. He has sold fifty-five million pounds. We have paid for every cent of the original loan, and we have not used a penny of the War Finance Corporation's money, and we are in a good position to sell the balance of the crop at what we say is fair. Our growers are thoroughly satisfied, because the advance payment they received this year was about equal to the payment they got from their entire crops last season, and they know they will get about twice as much again as the advance payment which has heretofore been paid to them.

The Lesson of one Brief Year

In short, in a period less than one calendar year, the entire Burley tobacco industry of the United States has turned over a new leaf. It has ceased to be a burden to the growers. This year our growers will make money on their tobacco, and we believe, on the California precedent, that every year hereafter these growers will make money on their Burley tobacco.

The Burley men made so well on it that the Light fellows started. Now they have sixty thousand growers in North and South Carolina and Virginia, and that Association is going to run this year. And there is another Association for the dark tobacco type. The next week we put on a big sign-up campaign in the

Dark Tobacco districts. I expect in 1922 there will be about two hundred thousand growers of tobacco in the United States in these three types of Tobacco Organizations, and they will handle about eighty-five per cent. of the Burley crop, about seventy-five per cent. of the Light Tobacco and something over two-thirds of the Dark Tobacco crop produced in that country. All this was done in a period of less than one year. Nobody performed any miracle. They had a good leader, Judge Dingan.

A Leader is Nothing without Followers

But a leader is no good unless he has plenty of followers. In Kentucky they developed the followers. The growers decided they had stuck to the buyers too long. They threw it over and in one year they converted the tobacco business from a real gamble into a real industry. They have done nothing you cannot do here. I know what you have done with your tobacco and your other commodities. I think your tobacco organization did a big thing when they organized the commodity. I think you can make certain little minor changes in your association and build up an association here that will be just as good for Canada as the Burley Association has been for Kentucky and Tennessee and the other States down there.

We decided that we wouldn't always be at the mercy of the big four, so we sent out notices to other men who we knew from time to time bought tobacco. Quite a few of these men are exporters of tobacco to Holland, Denmark, Sweden, and some of it moves by way of those countries to Germany and some to England. We talked to those men and said: "We are going to sell you tobacco on the same basis as we sold to the big firms, Liggett and Meyers and the others. We want more customers. You come out and figure out what you can do with your English, Dutch or Swedish trade and come in and talk business with us." They came and brought us in orders for one million pounds at our prices. They are independent men who are trying to grow. We have put that industry on a fair, safe foundation for the first time in more than seventy years of the tobacco industry in those States.

Ontario Tobacco Conditions are Not Critical

You have a real opportunity here. Your Burley situation isn't by any means hopeless, and even if you are carrying your last year's crop, just hold on to it a little. It is the shortest Burley crop they have had in eight years, and do not be frightened when they tell you they are all stacked up with Burley. They have to age their tobacco. They know it, and you know it, and if you are businesslike and not mad, I am of the opinion they will deal with you just as they dealt with us this year.

Now, I have a special message. I told Mr. Stone I was coming up because Mr. Doherty had written me a good survey of your industries here, and Mr. Stone said, "Any time you need anything from the American Association it is yours. (Applause.) I will come up here any time you want me, I will sit in conference with your Board. If you send somebody down to talk real business with me, I will even put you in touch with some people who can get you foreign sales. You are Canadians and I am an American, and we fought together not so long ago." (Applause). We are not going to let speculators break you men any more than we can help, any more than you would let them break us if you could help us.

Ontario has Wonderful Possibilities

I cannot tell you how deeply I have been impressed with this Province, your commercial side, and your wonderful scope of products. Not only have I been carried away by the fine leadership of Mr. Doherty, your extraordinary Agricultural College, but I am very deeply impressed with the type of farmers. You do not sit ahead of me, as so many United States farmers do. You have not lost your hope, your eyes are keen, and you are still on both feet, still ready and able to take care of yourselves.

Co-operative marketing means more money to the farmer, but more than that it means a better manhood and womanhood and better citizenship in the rural districts of whatever State adopts it. We have not done, in California, anything more than you can do in this Province. You have better leadership, and you have the example of what California failed at, as well as what it has succeeded at, and you have the example of Kentucky. You have the finest type of men to build with, and there is no excuse for slow action in this Province, and still less excuse for any kind of failure. Men of Ontario, if you want to make your agricultural industry permanent and prosperous, the whole world is at your feet. (Applause).

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